



East
Northamptonshire
Council

Finance Sub-Committee 5 October 2016

Efficiency Plan

Purpose of report

To seek approval to publish an Efficiency Plan, to enable the Council to take advantage of the government's offer of a four-year funding settlement.

Attachment(s):

Appendix 1 – Efficiency Plan and Appendices

1. Introduction

- 1.1. Local authorities have taken the biggest hit in terms of central government cuts since 2010. The scale of reduction, along with a degree of volatility around the phasing/ timing of these cuts to different authority types, can make it very difficult for authorities to plan their spending priorities strategically. The need for effective medium term planning has never been greater.
- 1.2. The government's response to these concerns has been to offer a guaranteed minimum grant, paid to councils for a four-year period from April 2016, covering Revenue Support Grant, Transitional Funding and Rural Services Delivery Grant. The former Secretary of State said this should increase local authority certainty and confidence and would be a key step towards supporting councils to strengthen financial management and work collaboratively with local partners when considering the way local services are provided in future.
- 1.3. In order to take advantage of the offer of a four-year funding settlement, the council is required to submit an efficiency plan by the deadline of 14 October 2016.

2. The Efficiency Plan

- 2.1. The Medium Term Financial Plan was approved by Council in March 2016. Whilst a balanced budget was approved for 2016/17, it was estimated that there would be a budget shortfall from 2018/19 of £0.7m, rising to £1m by 2019/20 if no further action is taken.
- 2.2. Consequently, the council has undertaken a review of all its finances, including the use of reserves, in order to produce an efficiency plan. The plan sets out how the council can meet the estimated budget shortfall that is expected from 2018/19 onwards, including a number of workstreams it will pursue in order to deliver this.
- 2.3. The plan also demonstrates the link to the Council's Corporate Plan, which was approved by Council in December 2015, and outlines how reserves will be used to support this. The Efficiency Plan is set out in detail at Appendix 1.

3. Equality and Diversity Implications

- 3.1. There are no known equalities issues arising from this report.

4. Legal Implications

- 4.1. There are no known legal implications arising from this report.

5. Risk Management

- 5.1. The risks are set out in the Efficiency Plan at Appendix 1, along with actions required to mitigate them.

6. Resource and Financial Implications

- 6.1. In practice, the final determination of the local government finance settlement for any given year cannot be made by the Government until calculations are completed, taking account of the business rates multiplier, which is based on the Retail Price Index in September each year. The Government will also need to take account of future events such as the planned transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government has stated it expects the amounts set out in the four-year offer to be presented to Parliament each year. Submission of an Efficiency Plan therefore should help with financial planning in the short-medium term.

7. Constitutional Implications

- 7.1. There are currently no direct implications impacting on the Constitution.

8. Customer Service Implications

- 8.1. There are no direct implications impacting on customer services.

9. Corporate Outcomes

- 9.1. This report links to the following Corporate Outcomes:

- **Effective Management**

Financial planning allows the council to manage and review its financial performance, contributing to the effective management of the council

10. Recommendations

10.1 To Finance Sub-Committee:-

- a) That the content of the report be noted and
- b) That the efficiency plan be recommended for Approval by Policy and Resources Committee at its meeting on 10 October 2016

(Reason – to take advantage of the four-year offer, so that the council has more certainty over finances and can manage resources efficiently to support delivery of the Corporate Plan and Medium Term Financial Plan)

10.2 To Policy and Resources Committee:-

- a) That the Committee recommend to Full Council to invite the Leader of the Council to propose the endorsement of the efficiency plan as submitted in 14 October.
- b) That finalisation of the efficiency plan to be submitted to DCLG by 14 October 2016 be delegated to the Chief Finance Officer, in consultation with the Chairman of the Finance Sub Committee,

(Reason – to take advantage of the four-year offer, so that the council has more certainty over finances and can manage resources efficiently to support delivery of the Corporate Plan and Medium Term Financial Plan)

10.3 To Council:-

- a) That Council endorse the efficiency plan as submitted to DCLG on 14 October 2016

(Reason – so Full Council is aware of workstreams identified to support delivery of the Corporate Plan and Medium Term Financial Plan, which will have some impact on the setting of the Budget and Medium Term Financial Plan in future years)

Legal	Power: Local Government Finance Act 1992, Local Government Finance Act 2012				
	Other considerations:				
Background Papers: DCLG Final local government finance settlement: England, 2016 to 2017, MTFS 2016/17					
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Date: 20.09.2016					
CFO		MO		CX	

Medium Term Financial Strategy and Efficiency Plan

Introduction

This document sets out the Council's approach to closing the forecast medium term gap between General Fund net expenditure and funding. It sets out the efficiency plan that is required in order to take up the government's offer of a fixed minimum level of funding for the period until 2019/20.

This plan relates specifically to General Fund budgets.

Links to Council Plans

This strategy is set in the context of the Corporate Plan, which was approved by Full Council in December 2015.

The Corporate Plan sets out the key priorities below:

- Sustainable Development
- Regeneration and Economic Development
- Financial Stability
- Customer-focused Services

A number of key actions have been identified which will help to support the drive for economic prosperity across the district and provide the best possible climate for business growth. This in turn will assist the Council in the management of its future financial challenge. The key commitments are set out below:

- Encourage Economic Development and Job Creation
- Invest in the Community
- Keep Council Tax Low
- Support Neighbourhood Plans
- Resist Inappropriate Development
- Deliver High Quality Jobs
- Enhance the Natural Assets of the Nene Valley
- Retain Free Car Parking

These all provide the framework for the delivery of the Efficiency Plan.

MTFP – Projected Budget Gaps

Appendix 1 shows the projected increasing budget gap over the next few years. The Council set a balanced budget for 2016/17 and 2017/18, but forecasts a gap of £0.7m in 2018/19 rising to £1m by 2019/20 if no further action is taken.

The funding forecasts take account of the latest knowledge of likely levels of growth and the impact that will have on income from Business Rates, Council Tax and New Homes Bonus.

Approach to Efficiency – Key Work Streams

Work stream 1 - Economic Growth

This work stream focuses on increasing the pace of economic growth in housing and businesses in order to generate further increases in income from Business Rates, Council Tax and New Homes Bonus. It will also review section 106 receipts to ensure that they are utilised in support of the delivery of the Corporate Plan where possible.

Work stream 2 – Contract Re-provision

The medium term financial plan assumes a level of costs in the delivery of existing contracts for leisure and waste service provision. The leisure contract expires at the end of 2016/17 and the council is currently tendering for a new provider with the aim of reducing the cost of this service. The waste contract ends in 2018/19 and the cost is expected to increase significantly. The Council will explore various options to ensure that any increase in costs is kept to a minimum.

Work stream 3 -Being More Efficient

All services will continue to review their working practices to ensure that they deliver high quality services at the lowest possible net cost. This review will also include increasing digitalisation in the provision of services. The Business Transformation Team will also support this work stream through the identification of projects which will either generate income or reduce costs in order to contribute towards the financial targets set out in the plan that are required to produce a balanced budget.

Work stream 4 –Commercial Approach

The Council will utilise available resources to generate commercial income. This work stream will look at options to invest in new assets that generate a good rate of return.

Work stream 5 – Partnership Working

The Council has a number of shared service or partnership arrangements in place. This work stream will look at opportunities within the current arrangements where there is potential to make cost reductions. We will also work closely with other councils to investigate areas where efficiencies can be gained.

Other Opportunities for Savings

The development of the Efficiency Plan has highlighted other opportunities for income generation or cost reductions in addition to the key work streams above.

One of these is income from Fees and Charges – while we have not set any targets for income generation in this area, we will continue to review the level of discretionary fees and charges to ensure that cost recovery is maximised, taking into account any potential impact on demand.

Appendix 2 sets out the financial targets in relation to each work stream.

Risks and Reserves

The financial targets within this efficiency plan generate an increased level of financial risk, due to their scale and diversity. The key risks and mitigations are set out in the table below:

Risk	Mitigation
Non delivery of financial targets	Supported by robust business plans Appropriate arrangements in place for monitoring and reporting Governance process followed
Conflict between Corporate Plan priorities and Efficiency Plan Savings	Full Council approval of Efficiency Plan as well as regular meetings with Leader/Chair of Finance Sub Committee/Chair of Policy & Resources Committee
High level of earmarked reserves required to deliver plan	Consolidation of reserves and controls over future allocations
Possible capital investment required to deliver plan	Supported by robust business plans Appropriate arrangements in place for monitoring and reporting Governance process followed Effective treasury management which utilises resources to achieve optimum interest levels

The Council holds General Fund balances in order to provide cover for these risks. The level of General Fund balances is reviewed and adjusted as part of the annual budget process and again as part of the final accounts process.

The Council also holds a sufficient level of earmarked reserves. These are set aside for specific purposes, but will be re-focussed to ensure that they are targeted on two key areas;

- Delivering the Medium Term Plan - funding to facilitate the delivery of the financial targets, through investment in assets and efficiency projects. This may include funding of capital investment where this is required to generate income for the council or deliver cost reductions.
- Future Pressures and Risks - to ensure that there is sufficient funding to ensure ongoing service delivery during the transition period.

Appendix 3 shows how earmarked reserve levels will be utilised in accordance with the targeted areas set out above.

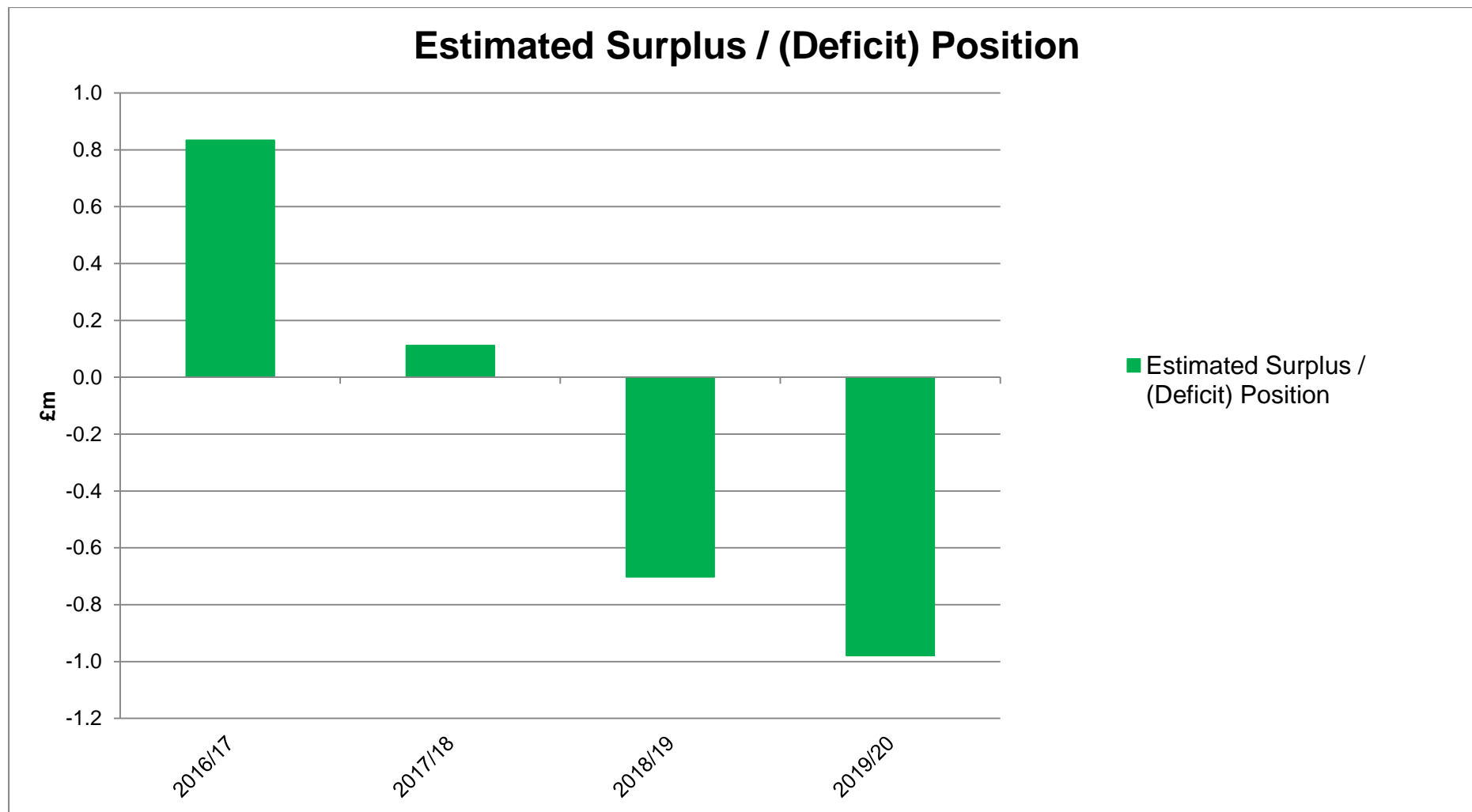
Appendices:

Appendix 1 - MTFP Forecasts

Appendix 2 - Financial Targets by Work Stream

Appendix 3 - Earmarked Reserves

Medium Term Financial Strategy Position 2016/17 to 2019/20 (February 2016)



Financial Targets by Work Stream

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Current Forecast Surplus / (Deficit)	0.1	(0.7)	(1.0)	(1.0)	(0.9)
<u>Economic Growth</u>	0.0	0.0	0.0	0.1	0.1
<u>Contract Re-provision</u>	0.2	0.3	0.4	0.4	0.4
<u>Being More Efficient</u>	0.1	0.1	0.2	0.3	0.3
<u>Commercial Approach</u>	0.0	0.0	0.0	0.1	0.2
<u>Partnership Working</u>	0.1	0.1	0.2	0.2	0.2
Revised Forecast Surplus / (Deficit)	0.5	(0.0)	(0.2)	0.0	0.2

Reserves Forecast

Appendix 3

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves - Delivering the Corporate Plan	8,707	6,028	5,685	5,715	5,625	5,655	5,685
Earmarked Reserves - Delivering the MTFS/Efficiency Plan	0	2,963	2,963	2,963	2,963	2,963	2,963
Earmarked Reserves - Managing Risk	1,188	2,421	2,129	2,129	2,129	2,129	2,129
Total Earmarked Revenue Reserves	9,895	11,412	10,777	10,807	10,717	10,747	10,777
Minimum level of reserves	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Total Revenue Reserves	11,395	12,912	12,277	12,307	12,217	12,247	12,277
Total Capital Reserves	4,081	2,398	1,600	775	118	0	0
Total Reserves	15,476	15,310	13,877	13,082	12,335	12,247	12,277